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Message Text

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46
ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 TRSE-00 EB-11 OMB-01

ABF-01 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15 USIA-15

ACDA-19 IO-15 COME-00 DRC-01 /179 W
---------- 077050
R 271114Z SEP 73
FM AMEMBASSY PHNOM PENH
TO AMEMBASSY CANBERRA
INFO SECSTATE WASHDC 3169
AMEMBASSY LONDON
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

C O N F I D E N T I A L PHNOM PENH 10390

E. O. 11652: GDS
TAGS: EGEN, EFIN, EAID,CB
SUBJECT: 1974 EXCHANGE SUPPORT FUND (ESF)

1. AUSTRALIA WAS ONE OF THE ORIGINAL PARTICIPANTS IN THE EXCHANGE SUPPORT FUND ESTABLISHED UNDER THE AUSPICES OF THE INTERNATIONAL MONETARY FUND TO PROVIDE VITAL FOREIGN EXCHANGE SUPPORT TO CAMBODIA TO OFFSET THE LOSS IN FOREIGN EXCHANGE EARNING WHICH CAMBODIA HAD SUFFERED BECAUSE OF THE WAR. FOR THE PAST TWO YEARS, AUSTRALIA ALONG WITH SEVEN OTHER COUNTRIES INCLUDING CAMBODIA HAVE PROVIDED $35 MILLION EACH YEAR TO THIS FUND, WITHOUT WHICH THE CAMBODIAN ECONOMY COULD NOT HAVE SURVIVED. AMONG FOREIGN GOVERNMENTAL DONORS, AUSTRALIA HAS PROVIDED THE THIRD LARGETST CONTRIBUTION, $1 MILLION IN EACH OF THE TWO YEARS.

2. IT HAS BEEN USG POLICY TO SUPPORT THE FUND NOT ONLY AS A MEANS OF PROVIDING NEEDED FOREIGN EXCHANGE BUT ALSO AS EVIDENCE OF INTERNATIONAL SUPPORT TO THE KHMER REPULBIC. THE GKR HAS NOW REQUESTED OTHER GOVERNMENTS FOR CONTRIBUTIONS TO BE MADE TO THE FUND IN 1974. TMO PRIME MINISTER HAS BEEN CALLING IN FOREIGN
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AMBASSADORS TO MAKE THE REQUEST TO THEM PERSONALLY AND AMONG

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OTHERS A REQUEST WAS MADE TO THE AUSTRALIAN AMBASSADOR BY HIM. THIS WEEK THE FOREIGN OFFICE IS ALSO FORWARDING A DIPLOMATIC NOTE TO SEVERAL GOVERNEMENTS, AMONG THEM THE AUSTRALIAN GOVERNMENT.

3. WE UNDERSTAND FROM THE AUSTRALIAN EMBASSY THAT THEIR GOVERNMENT HAS NOT INCLUDED IN THEIR BUDGETARY PROPOSAL TO PARLIAMENT A PROVISION FOR AN ESF CONTRIBUTION IN CALENDAR 1974. THE EMBASSY ADVISES US THEY HAD RECOMMENDED WARMLY THE CONTINUATION OF CONTRIBUTIONS AND THAT THE AUSTRALIAN MINISTRY OF FOREIGN AFFAIRS HAD ACCEPTED THE EMBASSY PROPOSAL. THEY FURTHER ADVISED THAT THE AUSTRALIAN TREASURY, WHICH HAD ALWAYS OBJECTED, WAS ABLE TO WIN OUT. HOWEVER, WE BELIEVE THAT THE ISSUE IS MORE A POLITICAL ONE THAN AN ECONOMIC OR FINANCIAL QUESTION.

4. IN VIEW OF THE IMPORTANCE WHICH THE USG ATTACHES TO CONTINUATION OF THE ESF AND PARTLY IN VIEW OF THE IMPORTANCE OF THE AUSTRALIAN CONTRIBUTION BOTH IN TERMS OF MAGNITUDE AND IN TERMS OF CONTINUATION OF SUPPORT BY THE GOA TO THE ESF, IT WILL BE A BLOW TO OUR EFFORTS HERE IF THE GOA DROPS OUT.

5. IT WILL BE A BLOW TO CAMBODIA WHICH THE GKR CAN ILL AFFORD NOW. FROM THE ECONOMIC POINT OF VIEW, THERE CAN BE NO DOUBT THE FUND HAS PLAYED A VITAL ROLE IN SUSTAINING KHMER ECONOMY, FINANCING ABOUT ONETHIRD OF THE COUNTRY'S IMPORTSFOR THE FIRST YEAR OF ITS OPERATION AND SOMEWHAT LESS TOTAL IMPORTS IN THE YEAR. AS FAR AS THE MANAGEMENT OF THE ESF IS CONCERNED, THE INTERNATIONAL MONETARY FUND CONTINUES TO HOLD THE VIEW THAT THE FUND HAS BEEN MANAGED WELL ENOUGH TO WARRANT CONTINUED SUPPORT. IN THIS REGARD IT SHOULD BE NOTED THAT THE ESF HAS A BRITISH MANAGER PROVIDED BY IMF, AND THE IMF PROVIDES A RESIDENT ADVISOR TO THE CENTRAL BANK FORM ITS OWN PERMANENT STAFF IN WASHINGTON. WITH REGARD TO THE QUESTION, WHICH OFTEN COMES UP, AS TO WHETHAR CONTRIBUTION TO LONGER TERM DEVELOPMENT PROJECTS OR ACTIVITIES MIGHT BE A BETTER FORM OF ECONOMIC ASSISTANCE FROM A GOVERNMENT, SUCH AS AUSTRALIA, THAN CONTRIBUTION TO A FUND WHICH SUSTAINS THE ECONOMY LIKE THE ESF, IT CAN ONLY BE REITERATED THAT IT IS ESSENTIAL TO SUSTAIN THE CONOMY IN ORDER TO PROVIDE A BASIS FOR ITS FUTURE DEVELOPMENT.

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6. WE WOULD APPRECIATE EMBASSY CANBERRA'S ASSISTANCE ON THE FOREGOING IN TERMS OF PROSPECTS FOR A GOA CONTRIBUTION TO THE ESF IN 1974. WE WOULD APPRECIATE, PARTICULARLY, YOUR VIEWS AS TO WHAT MEASURES THE GKR, THE USG, OTHER GOVERNMENTS, AND THE IMF SHOULD UNDERTAKE TO HELP ASSURE AUSTRALIA'S CONTINUED PARTICIPATION IN 1974.
ENDERS

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